



The Morning Email: US & Germany

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German Money Managers' Survey: Rising Caution

by [Niraj Shah](#)

Stone McCarthy

SMR Fortnightly German Money Managers' Survey - Summary				
	14-Jun-07		04-Jun-07	
	Avg	Range	Avg	Range
Cash/Asset Ratio				
Arithmetic	2.30%	1-5%	2.22%	0-5%
Weighted	2.33%		2.30%	
Actual/Target Duration				
Arithmetic	94.88%	83 -100%	96.10%	91 -100%
Weighted	96.23%		96.67%	
Bear/Bull Index				
Arithmetic	4.60	3.0-7.0	4.60	3.0-8.0
Weighted	4.43		4.44	
Intending to Adjust Portfolio in Coming Month				
Actual/Target Duration	95.81%		97.72%	
Bear/Bull Index	4.50		5.33	
Planning to be Active	20.00%		30.00%	
Memo				
Bund Future	110.17		111.78	

German fund managers' bond sentiment was essentially unchanged from the previous survey. However, duration positioning became significantly more defensive with smaller fund managers showing particular caution. Both measures of market sentiment remained unchanged and firmly in bearish territory.

"...monetary policy is still on the accommodative side".--TRICHET 06/06/2007

Want something added? Let me know: jgoulding@ghco.com

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Jim Goulding, jgoulding@ghco.com

SYM NAME	Symbol	US Cash Treasuries			US Bonds/Notes (CBOT)			Symbol	SYM NAME
		2yr	5yr	10yr	ZT	ZF	ZN		
Schatz(2Y)	DGU7	-85.21	-86.35	-83.02	90.07	87.44	85.39	DGU7	Schatz(2Y)
Bobl(5Y)	DLU7	-82.74	-89.56	-88.54	92.99	94.95	93.86	DLU7	Bobl(5Y)
Bund(10Y)	DBU7	-80.11	-89.52	-88.94	92.86	95.35	94.53	DBU7	Bund(10Y)

Correlation is based on 10 day historical

Correlations for the US Cash Treasuries are done on a YIELD basis. Therefore, you'll see negative values. The reason for this is due to the new issues. Every new issue takes too long to 'catch up' because the correlation formula looks back 10days.

Stone & McCarthy
RESEARCH ASSOCIATES

Technical Commentary
- by Mike Sacchitello, CMT

No Techs today

Quotes 1



		32 nds							
	ls	net	high	low	open	Volume	Yest Volume	SYM NAME	
TUAU7	101.202	0.5	101.207	101.195	101.205	15,958	209,446	2y Futures	
FVAU7	103.150	3.0	103.170	103.120	103.140	37,496	549,575	5y Futures	
TYAU7	104.230	3.0	104.260	104.175	104.205	118,673	1,472,054	10y Futures	
USAU7	106.130	5	106.180	106.040	106.100	27,266	473,603	30y Futures	
		32 nds							
	ls	net	high	low	open	Volume	Yest Volume	SYM NAME	
BUS02P	99.230	(0.2)	99.237	99.225	99.227			2y	
BUS05P	98.172	1.0	98.195	98.147	98.155			5y	
BUS10P	94.315	3.5	95.040	94.250	94.260			10y	
BUS30P	92.155	6	92.210	92.085	92.090			30y	
		32 nds							
	ls	net	high	low	open	Volume	Yest Volume	SYM NAME	
BUS02Y	5.023	0.80	5.045	4.993	5.032			2y Yield	
BUS05Y	5.084	(0.30)	5.109	5.067	5.086			5y Yield	
BUS10Y	5.150	(1.30)	5.184	5.129	5.157			10y Yield	
BUS30Y	5.251	(0.60)	5.275	5.238	5.248			30y Yield	



		Decimal							
	ls	net	high	low	open	Volume	Yest Volume	SYM NAME	
DGU7	102.47	20.00	102.48	102.43	102.44	203,196	648,934	Schatz(2Y)	
DLU7	1058.90	45.00	1059.20	1057.95	1058.10	234,982	746,211	Bobl(5Y)	
DBU7	110.27	5.00	110.32	110.08	110.15	358,040	1,587,658	Bund(10Y)	

German Futures

	Price		Yield		Maturity	Volume	Yest Volume	SYM NAME
	ls	ls	Coupon					
T.US.DE032P0409	99.99		4.488	4.500	7/4/2009			2 yr CTD
T.US.DE050P0712	97.55		4.566	4.000	4/13/2012			5 yr CTD
T.US.DE042P0717	95.52		4.610	4.000	7/4/2016			10 yr CTD
DEP2P	100.07		4.461	4.500	6/12/2009			2yr OTR
DEP5P	97.59		4.566	4.000	4/13/2012			5yr OTR
DEP10P	97.03		4.626	4.250	7/4/2017			10yr OTR

German Cash

Y = Yield

CTD = Cheapest to Deliver

DE = German Country Code

Quotes 2

This page provide a more detailed look at the quotes for the German Bonds
 German Bonds are quoted in decimal, not 32nds.



	Decimal						SYM NAME	
	bid	ask	Last	hi	lo	Chng		
DGU7	102.46	102.47	102.47	102.48	102.43	20.00	Schatz(2Y)	German Futures
DLU7	1058.85	1058.90	1058.90	1059.20	1057.95	45.00	Bobl(5Y)	
DBU7	110.26	110.27	110.27	110.32	110.08	5.00	Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	SYM NAME	
	DGU7	4.683	4.680	4.680	4.699		
DLU7	4.654	4.653	4.653	4.674	4.646	Bobl(5Y)	
DBU7	4.691	4.690	4.691	4.713	4.684	Bund(10Y)	

	Y Bid	Y Ask	Y Last	Y Hi	Y Lo	Chng	SYM NAME	
	T.US.DE032P0409	4.503	4.488	4.488	4.545	4.493		
T.US.DE050P0712	4.576	4.566	4.566	4.623	4.566	0	5 yr CTD	
T.US.DE042P0717	4.617	4.610	4.610	4.671	4.616	0	10 yr CTD	
DEP2P	4.472	4.461	4.461	4.504	4.456	5	2yr OTR	
DEP5P	4.576	4.566	4.566	4.600	4.559	9	5yr OTR	
DEP10P	4.633	4.626	4.626	4.660	4.621	15	10yr OTR	

	Decimal						SYM NAME	
	bid	ask	Last	hi	lo	Chng		
T.US.DE032P0409	99.99	100.02	100.02	100.03	99.93	4.00	2 yr CTD	German Cash
T.US.DE050P0712	97.55	97.59	97.59	97.62	97.45	9.00	5 yr CTD	
T.US.DE042P0717	95.52	95.57	95.57	95.61	95.34	15.00	10 yr CTD	
DEP2P	100.05	100.07	100.07	100.08	99.99	5.00	2yr OTR	
DEP5P	97.55	97.59	97.59	97.62	97.45	9.00	5yr OTR	
DEP10P	96.98	97.03	97.03	97.07	96.77	15.00	10yr OTR	

Y = Yield

CTD = Cheapest to Deliver

DE = German Country Code

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Headlines

Bonds mixed, extend steepening bias, mixed reaction to US data

Bunds open lower on USTs following Asian equity gains
Supply induced selling on peripheral supply this week
ECB's Gonzelez-Paramo said, "A central bank should not refrain from surprising the market" in order to achieve the goal of delivering price stability.

Euro Mkt Summary:

by Charanjeev Chana

European Government Bonds were trading mixed, with long dated issues continuing to lag and extending the recent steepening bias. Bunds posted a mixed reaction to US data on Friday afternoon, posting a moderate relief rally on tame US core CPI data after initially dipping on the stronger than expected Empire manufacturing index. The market posted a muted reaction US TICS and industrial production data. Bonds opened lower on US Treasury weakness overnight after Asian equity bourse closed higher. The market extended losses in supply induced selling after heavy peripheral supply this week from Portugal, Spain and the Netherlands. Bunds extended losses on position squaring ahead of the release of US inflation data. In comments reported on Friday afternoon, ECB official Gonzelez-Paramo said, "a central bank should not refrain from surprising the market" in order to achieve the goal of delivering price stability.

15/06/2007	15:35	EURO	chg	USA	chg	UK	chg
Futures	Bond	110.18	0.01	106.03	0.19	103.71	-0.08
	STIR	95.46	0.00	94.61	0.01	93.82	0.00
Cash	3mth	4.15	0.00	5.36	0.00	5.85	0.00
	2yr	4.48	0.00	5.05	-0.04	5.75	0.00
	5yr	4.58	0.00	5.12	-0.05	5.69	0.01
	10yr	4.64	0.00	5.18	-0.05	5.48	0.01
	30yr	4.80	0.02	5.26	-0.04	4.87	0.02
	10yr-2yr	0.16	0.01	0.13	0.00	-0.27	0.01
Spreads	2yr	--	--	0.63	-0.04	1.35	0.00
	vs euro	10yr	--	--	0.60	-0.05	0.91
FX	USD	1.335	0.004	--	--	1.976	0.007
	EUR	--	--	--	--	0.676	0.000
	YEN	164.98	1.33	123.58	0.66	244.19	2.12
Equities		4541.2	1.2%	1537.0	0.9%	6713.5	%



News Recap for Euroland Overnight

05:22 06/18 **BUNDS**: Traders confirm Asian and Japanese real money accounts were bargain-hunting in long-dated EGBs, whilst leverage accounts were seen putting on flattening trades.

04:44 06/18 **GERMAN Q3 ISSUANCE CALENDAR PREVIEW**: The German Q3 issuance calendar is due sometime this week -- where around E39.0bln nominal supply is expected vs E31.0bln in Q2. The German Finance Agency is seen kicking off supply with re-opening of the 2017 Bund, 2009 Schatz and 2039 Bund all due in July for E7.0bln, E7.0bln, E5.0bln respectively. The 10-year 2017 Bund is also seen re-opened in August for E6.0bln. A new Sept 2009 Schatz is expected to be sold in September for E7.0bln and then a new 5-year Oct 2012 Bobl 151 for E7.0bln. Most strategists also expect Germany to be active in the linker market in Q3, with a new issue planned. The head of the German Finance Agency, Gerhard Schleif in May told Market News that while the maturity of the planned linker is still uncertain, a 20-year issue is theoretically possible, as is a 5-year or a 30-year security.

04:16 06/18 **GILTS**: Attention this week in UK is on the Bank of England minutes for the June meeting, where rates were last left on hold at 5.50%. Markets expect a 7:2 vote to keep Bank Rate unchanged, with Sentance and Besley seen voting for a 25bps rate increase. Given the MPC discussed a 50bps rate hike in May, this shows that the committee thinks further rate hikes are needed in order to bring inflation down in the forecast period. In addition, the BoE May Inflation Report has already signalled that inflation will overshoot target unless the Bank hikes at least once more. BoE Governor King's speech at the Mansion House on Wednesday later on Wednesday, will also be eyed to give the next directional move. Supply in the UK is also key, where the Debt Management Office (DMO) is due to tap the 5.25% June 2012 Gilt on June 21 for Stg2.5bln. This will take the amount outstanding up to Stg5.25bn and thus leaves it eligible to be stripped. The market will also have Stg1bln Network Rail linkers to digest.

News Recap for Euroland Overnight

02:59 06/18 **BONDS: EGBs** are opening little changed on Monday, but seen coming under pressure on expectations of firmer open on European equity bourses after gains on Wall Street on Friday and Nikkei-225 overnight, amid deal-related buying. The Dow staged a 3-session rally closing within 4 points of all time highs, on the back of falling bond yields and benign inflation readings on both consumer and producer prices. This is the biggest three-day point gain since November 2004 With US data releases thin on the ground, only May housing starts and building permits, the attention is on German June ZEW and Ifo survey. Elsewhere, attention for bond markets is likely to remain on stock market movements. The 5-year sector is seen underperforming given strong supply due this week in that sector -- Germany conducts a top-up of the 4.00% Apr 2012 Bobl 150 for up for to E5.0bln. On Thursday, France launches a new 4.50% July 2012 BTAN issue for between E4.8-5.3bln.

02:51 06/18 **JGB SUMMARY**: Japanese government bonds ended Monday's session sharply higher, boosted by Friday's U.S. Treasury rally. Traders also noted that the renewed optimism in global bond markets also helped fuel an unwind in recent curve steepening trades. Traders said good buying demand was noted across the curve in early trade, with interest in the 2 and 10-year sectors leading the way higher. However, volumes slowed as the day progressed, despite prices maintaining their bid. The ultra-long sector of the curve also scored good gains, despite mild hedge selling ahead of Thursday's Y800 billion 20-year auction.

- Benchmark 10-year #285 yield was 4.5 bps lower at 1.895%.
- Benchmark 5-year #63 yield was 3 bps lower at 1.500%.
- Benchmark 20-year #94 yield was 5 bps lower at 2.305%.
- Benchmark 30-year #26 yield was 4 bps lower at 2.515%.
- Lead Sept JGB futures contract was 0.34 higher at 131.64.



	US Intrinsic's ^			
	M Duration	DV01 32	DV01 \$	DV01(€)
30y	14.99	4.52	\$1,411	€ 1,892
10y	7.81	2.38	\$745	€ 999
5y	4.34	1.37	\$429	€ 575
2y	2.02	0.63	\$198	€ 266
ZB	9.65	3.31	\$104	€ 139
ZN	5.78	1.94	\$61	€ 81
ZF	3.96	1.31	\$41	€ 55
ZT	1.88	1.22	\$38	€ 51

^Futures are Based on CTD

	Tic for Tic Matrix (\$)		
	Bund	Bobl	Schatz
30y	17.28	31.05	40.23
10y	9.12	16.39	21.24
5y	5.25	9.44	12.23
2y	2.43	4.36	5.65
ZB	1.27	2.28	2.95
ZN	0.74	1.34	1.73
ZF	0.50	0.90	1.17
ZT	0.47	0.84	1.09

What is this?:
The Schatz moves XX.XX tics for every 1 tic the 10yr cash moves.

	German Intrinsic's ^			
	M Duration	DV01(€)	DV01(\$)	CF
Bund	7.09	€ 109	\$82	0.872569
Bobl	4.24	€ 61	\$45	0.959013
Schatz	1.82	€ 47	\$35	0.966386
DE10Y	7.64	€ 974	\$727	
DE5Y	4.24	€ 559	\$417	
DE2Y	1.72	€ 227	\$169	

^Futures are Based on CTD

Last

EURUSD 134.06

Notes

1) CF = Conversion Factor

2) MDuration = Modified Macaulay Duration

3) MDuration & DV01s for Futures are based on proxy issue (CTD)

US Financial Futures / Eurex Bond

	ZN	ZF	ZT
Bund (U)	1.800	2.700	2.900
Bobl (U)	1.000	1.500	1.600
Shatz (U)	0.430	0.650	0.700

US Treasuries v Eurex Bonds

	2y	5y	10y
Bund (U)	1.7	3.9	6.8
Bobl (U)	3.0	7.0	12.2
Shatz (U)	6.9	16.1	28.2

	Bund (U)	Bobl (U)	Shatz (U)
Bund (U)		1.873	4.608
Bobl (U)	0.534		2.460
Shatz (U)	0.210	0.400	

Yields & Spreads

US Cash Treasuries (OTR)			
	Bid	Ask	Last
US2y	5.028	5.023	5.023
US5y	5.087	5.084	5.084
US10y	5.152	5.150	5.150

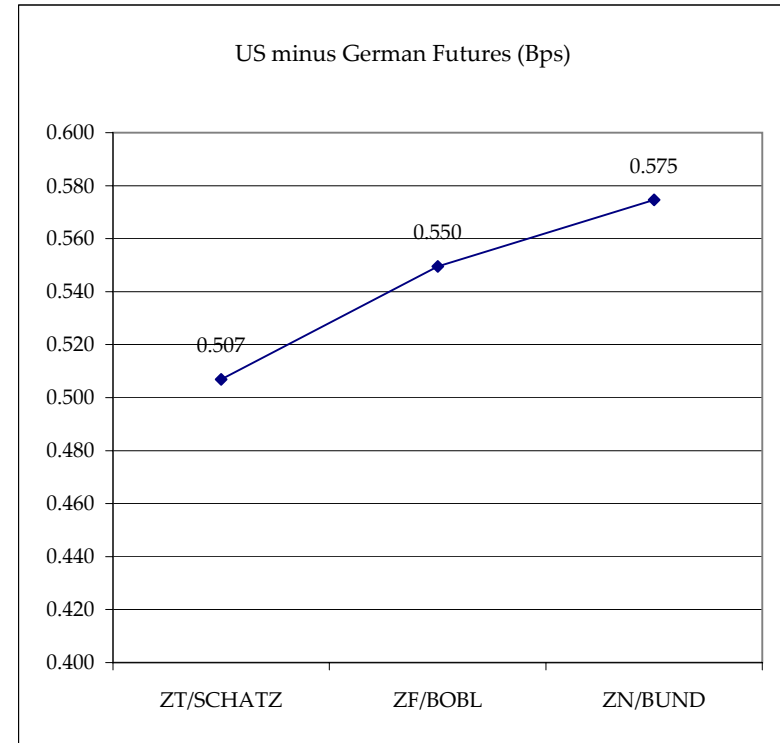
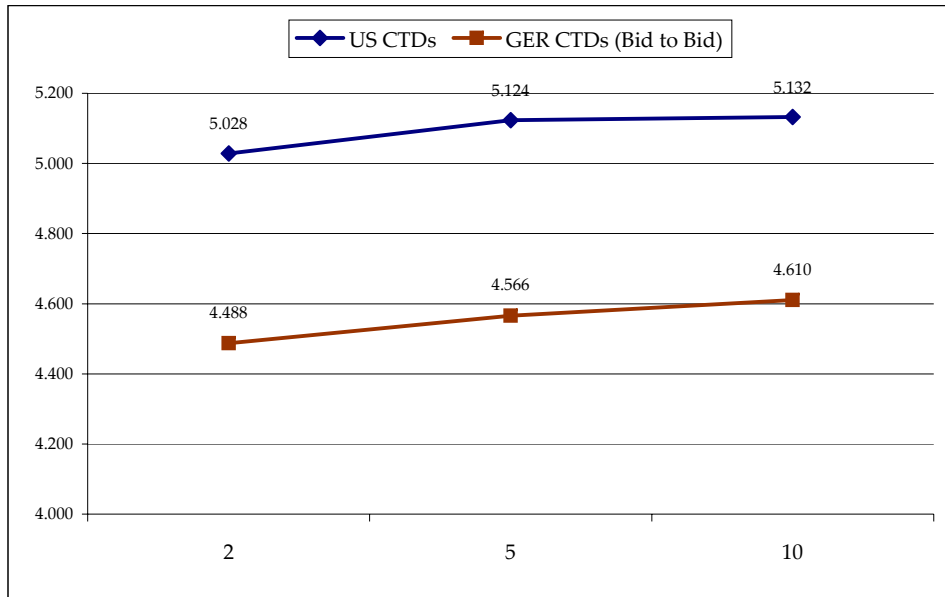
German Cash Treasuries (OTR)			
	Bid	Ask	Last
DE2y	4.472	4.461	4.461
DE5y	4.576	4.566	4.566
DE10y	4.633	4.626	4.626

Spreads Bps	
ZT/SCHATZ	0.507
ZF/BOBL	0.550
ZN/BUND	0.575

US Cash Treasuries (CTD)			
	Bid	Ask	Last
4.000 of 06/09	5.028	4.995	4.995
4.500 of 11/11	5.124	5.116	5.116
4.750 of 05/14	5.132	5.185	5.185

German Futures (CTD)			
	Bid	Ask	Last
4.500 of 07/09	4.503	4.488	4.488
4.000 of 04/12	4.576	4.566	4.566
4.000 of 07/16	4.617	4.610	4.610

This chart shows the US futures, ZT, ZF, and ZN as a yield compared to the German Futures, the Schatz (2yr), Bobl (5yr), and Bund (10yr). Cheapest to Deliver (CTD) are used as proxies for the yields.



Contract Specs

Price Quotation and Minimum Price Change

The Price Quotation is in percent of the par value.

Contract	Minimum Price Change	
	Percent	Value
Euro-Schatz Futures	0.005	EUR 5
Euro-Bobl Futures	0.01	EUR 10
Euro-Bund Futures	0.01	EUR 10
Euro-Buxl® Futures	0.02	EUR 20

Contract Standards

Notional short-, medium- or long-term debt instruments issued by the Federal Republic of Germany or the Swiss Confederation with remaining terms and a coupon of:

Contract	Product ID	Remaining Term	Coupon	Currency
		Years	Percent	
Euro-Schatz Futures	FGBS	1.75 to 2.25	6	EUR
Euro-Bobl Futures	FGBM	4.5 to 5.5	6	EUR
Euro-Bund Futures	FGBL	8.5 to 10.5	6	EUR
Euro-Buxl® Futures	FGBX	24.0 to 35.0	4	EUR

Trading Hours

Eurex operates in three [trading phases](#): pre-trading, trading and post-trading. The [post-trading phase](#) is further split in several periods where different functions are available.

Pre- Trading	Regular Trading Day			Last Trading Day			Exercise/ Notify until
	Trading	Post-Trading		Post-Trading			
		Full	Late 1	Restricted	Full	Late 1	Late 2
07:30	08:00	22:00		22:30	12:30		20:00

TIMES ARE CET

Contract Month

Up to 9 months: The three nearest quarterly months of the March, June, September and December cycle.

Delivery Day

The tenth calendar day of the respective quarterly month, if this day is an exchange trading day; otherwise, the exchange trading day immediately succeeding that day.

Last Trading Day

Two exchange trading days prior to the Delivery Day of the relevant maturity month. Close of trading in the maturing futures on the Last Trading Day is at 12:30 CET.

Daily Settlement Price

Standard Method

Volume-weighted average price of all trades during the final minute of trading before 17:15 CET provided that more than five trades occurred during this minute;

otherwise the volume-weighted average price of the last five trades before 17:15 CET provided that these are not older than 15 minutes. If such a price cannot be determined,

or the price so determined does not reflect the prevailing market conditions, Eurex will establish the official settlement price.

If the price so determined does not reasonably reflect the prevailing market conditions at the close of trading, Eurex may change and redetermine the official settlement price.

When does the volume trade? Between what ours of the day? These are the two questions most frequently asked, by new traders to this contract. Of course number releases pertaining to the German economy will produce volume. Past that we can look at a chart of the Bund as determine when volume occurs.

Time	Volume	Volume
	Rises	Drops
1:00 AM CST	x	
7:00 AM CST	x	
10:00 AM CST		x
11:00 AM CST		x
German Econ Release	x	
US Econ Release	x	

Bond Market Characteristics
From The Treasury Bond Basis Book 3rd Edition, by Galen Burghardt

Accrued Interest	Germany	Japan	UK
Coupon (date)	Annual	semi (20th)	semi
Ex-dividend (days)	no	no	yes (7)
Accrual basis	actual	actual	actual
Year Basis	actual	365	actual

Settlement time frame	Germany	Japan	UK
Domestic	T+2	T+3	T+3
International	T+3	na	na

Trading Basis	Germany	Japan	UK
Quotation	price	simple yield	price
Tick	decimal	bp	decimal
Tax (resident)	0	0	0
Price/Yield Method	ISMA	Simple	DMO

Repo	Germany	Japan	UK
Accrual basis	actual	actual	actual
Year basis	360	0	365